

## **The position of the Hungarian Gas Trade Ltd. on the incremental capacity project proposal for the Mosonmagyaróvár interconnection point**

The Hungarian Gas Trade Ltd. (MFGK) agrees with the Resolution 10490/2018 issued by the Hungarian Energy and Public Utility Regulatory Authority (HEPURA), rejecting the project proposal for the capacity allocation procedure of Mosonmagyaróvár interconnection point incremental capacity on the Hungary-Austria route (HUAT).

*According to the Article 28 (2) of Commission Regulation (EU) 2017/459 on **Establishing a network code on capacity allocation mechanisms in gas transmission systems and repealing Regulation (EU) No 984/2013 (CAM NC) 'national regulatory authorities shall take into account any detrimental effects on competition or the effective functioning of the internal gas market associated with the incremental capacity projects concerned.'***

Incremental capacity demand marked in the Demand Assessment Report of July 27 of 2017 compiled by FGSZ. Ltd. and Gas Connect Austria are largely based on the future production of Romanian offshore gas fields and the incremental (bidirectional) development of the interconnection point in question was also part of the Romania-Hungary-Austria pipeline project (ROHUAT) supported also by the European Union.

However, uncertainties surrounding the production of Romanian offshore gas fields grew significantly due the amendments of the Romanian regulations in 2018. These amendments contain rather unfavorable pricing and taxation conditions for the offshore gas producers, which is marked by the postponement of production final investment decisions (FID-s), also underlined in the producers' communication.

The realization of HUAT faces high risks of underutilization due to the uncertainties of the Romanian offshore production. Furthermore, the inclusion of its costs into the transmission tariff would raise the already high regional transmission tariffs as barriers of regional gas trade for wholesalers and would heavily influence the access of regional markets to alternative gas sources with concentrating them to the Austrian virtual trading point (VTP). These effects of HUAT would further fragment the regional gas wholesale markets which is in contrast to the intentions of the European Union and would also lead to Hungarian end-user price hikes.

The alternative for Romanian offshore gas supply Hungary-Slovakia-Austria pipeline (HUSKAT) project's indicative costs of cca. 130 million EUR would be significantly lower than HUAT's cost of cca. 870 million EUR estimated earlier by FGSZ Ltd. Although HUSKAT also has to face the same uncertainties of Romanian offshore gas production, its realization would be presumably more beneficial to the wholesale markets of region given its perceived lower unit of gas delivery from Hungary to Austria than the future tariffs derived from the much higher expenses of HUAT.